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Prescription Drug Utilization and Physician Visits
by Craig Copeland, EBRI

Introduction
Employers’ health care costs again appear to be increasing significantly,1 and rising prescription drug expenditures have been receiving much of the blame. In terms of physician and patient behavior, the two factors most often cited related to these increased prescription drug costs are direct-to-consumer advertising and differences in the way prescription drugs are prescribed by physicians.2 Overall, prescription drugs accounted for only 7.2 percent of all national health expenditures in 1997 and 11.5 percent of all private health insurance expenditures in 1997.3

This Notes article examines expenditures on physician services and prescription drugs, as well as the number of physician visits and new prescriptions ordered as a result of these visits in 1993 and 1997. First, using national health expenditure data, it examines trends in total expenditures for both physicians and prescriptions drugs. Second, using data from the National Ambulatory Medical Care Survey (NAMCS),4 it examines trends in the number of physician visits and new prescriptions ordered from those visits. Third, it analyzes the occurrence of physician visits and drug prescriptions by patients’ demographic characteristics and expected sources of payments. Finally, the article draws some conclusions from the data presented.

Expenditures
Total expenditures on physician services increased from $185.9 billion in 1993 to $217.6 billion in 1997 (table 1). This represents an average annual rate of growth of 4.3 percent. Total prescription drug expendi-
Private health insurance payments accounted for $94.1 billion of the physician service expenditures in 1993, increasing to $109.1 billion in 1997 (accounting for about 50 percent of these costs in each year). Prescription drug expenditures paid by private health insurance increased from $20.1 billion in 1993 (covering 40 percent of these costs) to $39.9 billion in 1997 (covering almost 51 percent of these costs). Average annual growth rates for private health insurance payments for physician services and prescription drugs were 4.0 percent and 24.6 percent, respectively.

**Physician Visits and New Prescriptions Ordered**

According to NAMCS, there were 717.2 million office-based doctor visits in the United States in 1993 (table 2) and 787.4 million in 1997, an increase of about 10 percent. New prescriptions were ordered in 57.0 percent of the 1993 doctor visits, compared with the slightly lower 56.4 percent of the 1997 doctor visits. However, the number of new prescriptions ordered by physicians during those visits increased from 745.1 million in 1993 to 856.9 million in 1997, a growth rate of 15.0 percent.5

This results in the somewhat anomalous situation where there is a slight decrease in the percentage of...
physician visits that resulted in a new prescription order, but a higher rate of increase in new prescription orders than the percentage of physician visits. However, this can be explained by the significant increase in the percentage of patients receiving five or more prescriptions from their physician visit. In 1993, 2.1 percent of visits resulted in five or more new prescriptions being ordered, while in 1997 3.7 percent of visits resulted in five or more new prescriptions being ordered (chart 1). Consequently, the number of prescriptions ordered per office visit with a prescription ordered increased from 1.82 to 1.93 over the same time period (table 2).

### Demographic Characteristics and Expected Sources of Payment

In tables 3 and 4, the numbers of physician visits and prescriptions ordered are broken out by patients’ demographic characteristics and the expected sources of payments. Females had more visits to physicians and more prescriptions ordered than males. While 25- to 44-year-olds had the most physician visits, 45- to 64-year-olds had the most prescriptions ordered. Individuals with private health insurance as their expected source of payment had the most physician visits and prescriptions ordered.

However, when looking at the number of prescriptions ordered per physician visit with a prescription ordered, many interesting facts emerge (table 5). Females had more prescriptions ordered per visit than males. Whites and blacks had more prescriptions ordered per visit than other racial categories. Older Americans had more prescriptions ordered per visit than younger Americans. Those over 65 years old had about 10 percent more prescriptions ordered than those ages 45–64 in 1997. Furthermore, individuals who had Medicare as an expected source of payment had about 28 percent more prescriptions ordered per visit than those with private health insurance in 1997. In 1993, privately insured individuals in health maintenance organizations (HMOs) had fewer prescriptions ordered per visit than those not in an HMO, but in 1997 the prescriptions ordered per visit were virtually the same.

### Conclusions

Between 1993 and 1997, physician service expenditures increased at a slower rate than prescription drug expenditures. In addition, the number of physician office-based visits increased at a slower rate than the number of prescriptions ordered as a result of these visits. However, the percentage of physician visits that resulted in a prescription being ordered decreased slightly. Patients...
who did receive a new prescription in 1997 received a larger number on average than those who received a new prescription in 1993. Furthermore, there are some significant differences between the number of prescriptions per visit for individuals with different demographic characteristics, such as age, gender, and individuals with Medicare coverage.

Endnotes
1 In William M. Mercer’s latest employer survey, employer health care costs were found to have increased by 6.1 percent in 1998 after being relatively flat for the four prior years. See William M. Mercer, Mercer/Foster Higgins National Survey of Employer-Sponsored Health Plans 1998 (New York, William M. Mercer, 1999).
2 The development of new and improved drugs is also a major factor in increased drug expenditures.
3 For further information on issues regarding prescription drugs, see Craig Copeland, “Prescription Drugs: Issues of Cost Coverage, and Quality,” EBRI Issue Brief no. 208 (Employee Benefit Research Institute, April 1999).
4 NAMCS is a national survey of office-based physician visits that does not include telephone calls, hospital visits, or institutions that provide care over time (i.e., nursing homes). For further information about this survey, see www.cdc.gov/nchswww/.
5 This number is far less than the number of prescriptions filled in a year, since it is for new prescription orders only. It does not include prescriptions refilled, ordered upon discharge from a hospital, ordered over the phone, or ordered for those in an institutional facility such as a nursing home. In 1998, an estimated 2.5 billion prescriptions were filled (Barents Group LLC, Factors Affecting the Growth of Prescription Drug Expenditures (Washington, DC: National Institute for Health Care Management Research and Educational Foundation, July 9, 1999)).

Lump-Sum Distributions Total $87.2 Billion in 1995
by Paul Yakoboski, EBRI

Introduction
According to 1995 data recently made available, both the number and dollar amounts of lump-sum distributions made from retirement accounts are significant (this includes lump-sum distributions from retirement plans, annuities, profit-sharing plans, and insurance contracts, but excludes individual retirement accounts [IRAs] and simplified employee pensions [SEPs]). In 1995, 5.6 million tax filers reported receiving a lump-sum distribution, and distributions totaled $87.2 billion (table 6). Lump-sum distributions are defined here as full distributions where the entire account is liquidated. These figures include distributions made to both workers (for example, distributions from a 401(k) plan upon job change) and to retirees.

An expanded view of distributions can also be taken that includes all distributions, except partial distributions made to individuals ages 59½ or older, which are subject to income taxation but not penalty taxation (e.g., regular periodic payments made to a retiree). This expanded definition would include, for example, partial distributions made to current workers from their accounts. Under this expanded definition, 10.0 million tax filers reported receiving a distribution in 1995, and these distributions totaled $131.1 billion.

To put these figures in context, as of year-end 1994 there was $4.8 trillion in all public and private retirement plans (both defined benefit and defined contribution). Thus, lump-sum distributions were the equivalent of 2 percent of total employment-based retirement assets in 1995. Furthermore, according to data from the U.S. Department of Commerce, total retirement benefits paid to individuals from employment-based retirement plans in 1995 amounted to $328.4 billion and Social Security Old-Age, Survivors and Disability Insurance (OASDI) benefits amounted to $327.6 billion. Therefore, lump-sum payments accounted for approximately one-quarter of all payments from employment-based retirement plans and were the equivalent of one-quarter of Social Security benefit payments.

Distribution Size
The average individual lump-sum distribution amount in 1995 was $15,637, while the median amount was $2,339 (table 6). This indicates that most distributions were relatively small, and that the average was pulled up by the
Table 6
Lump-Sum Distributions, by Age and Adjusted Gross Income, 1995

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number with Lump-Sum Distribution (thousands)</th>
<th>Total Amount Distributed ($ billions)</th>
<th>Average Lump-Sum Distribution</th>
<th>Median Lump-Sum Distribution</th>
<th>Less than $1,000</th>
<th>$1,000–$4,999</th>
<th>$5,000–$19,999</th>
<th>$20,000–$99,999</th>
<th>$100,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>118,220</td>
<td>5,576</td>
<td>$87.2</td>
<td>$15,637</td>
<td>32.5%</td>
<td>32.8%</td>
<td>20.0%</td>
<td>11.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Under 30</td>
<td>31,541</td>
<td>838</td>
<td>2.1</td>
<td>2,455</td>
<td>52.7%</td>
<td>9.1%</td>
<td>1.8%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>30–34</td>
<td>12,706</td>
<td>853</td>
<td>5.0</td>
<td>5,884</td>
<td>29.5%</td>
<td>21.4%</td>
<td>10.5%</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>35–39</td>
<td>11,532</td>
<td>689</td>
<td>6.6</td>
<td>10,578</td>
<td>29.5%</td>
<td>21.4%</td>
<td>10.5%</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>40–44</td>
<td>10,162</td>
<td>585</td>
<td>9.4</td>
<td>16,080</td>
<td>28.6%</td>
<td>23.9%</td>
<td>12.7%</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td>45–49</td>
<td>7,940</td>
<td>435</td>
<td>10.6</td>
<td>24,356</td>
<td>14.7%</td>
<td>22.8%</td>
<td>24.3%</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>50–54</td>
<td>6,339</td>
<td>360</td>
<td>12.9</td>
<td>35,924</td>
<td>17.9%</td>
<td>33.1%</td>
<td>17.7%</td>
<td>6.0%</td>
<td></td>
</tr>
<tr>
<td>55–59</td>
<td>5,198</td>
<td>357</td>
<td>15.4</td>
<td>43,139</td>
<td>14.7%</td>
<td>22.8%</td>
<td>24.3%</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>60–64</td>
<td>4,669</td>
<td>286</td>
<td>16.6</td>
<td>47,074</td>
<td>25.4%</td>
<td>26.4%</td>
<td>19.5%</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>65–69</td>
<td>9,636</td>
<td>377</td>
<td>17.2</td>
<td>19,131</td>
<td>33.1%</td>
<td>29.4%</td>
<td>21.7%</td>
<td>10.8%</td>
<td></td>
</tr>
<tr>
<td>70 and older</td>
<td>5,656</td>
<td>173</td>
<td>1.3</td>
<td>7,503</td>
<td>33.8%</td>
<td>29.0%</td>
<td>26.7%</td>
<td>10.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Under $10,000</td>
<td>28,733</td>
<td>447</td>
<td>1.6</td>
<td>3,590</td>
<td>60.7%</td>
<td>27.7%</td>
<td>8.1%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>$10,000–$19,999</td>
<td>24,953</td>
<td>869</td>
<td>6.5</td>
<td>7,515</td>
<td>45.3%</td>
<td>33.5%</td>
<td>13.6%</td>
<td>6.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>$20,000–$29,999</td>
<td>17,812</td>
<td>942</td>
<td>7.6</td>
<td>8,033</td>
<td>36.1%</td>
<td>36.1%</td>
<td>21.0%</td>
<td>5.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>$30,000–$39,999</td>
<td>12,384</td>
<td>755</td>
<td>8.6</td>
<td>8,612</td>
<td>34.4%</td>
<td>35.2%</td>
<td>20.4%</td>
<td>9.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>$40,000–$49,999</td>
<td>9,097</td>
<td>594</td>
<td>10.6</td>
<td>10,151</td>
<td>28.3%</td>
<td>39.5%</td>
<td>20.3%</td>
<td>10.1%</td>
<td>1.9%</td>
</tr>
<tr>
<td>$50,000–$74,999</td>
<td>13,678</td>
<td>1,028</td>
<td>18.7</td>
<td>18,208</td>
<td>24.5%</td>
<td>32.1%</td>
<td>25.5%</td>
<td>14.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>$75,000–$99,999</td>
<td>5,375</td>
<td>482</td>
<td>13.3</td>
<td>27,555</td>
<td>13.0%</td>
<td>32.7%</td>
<td>24.3%</td>
<td>24.1%</td>
<td>5.9%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>5,348</td>
<td>433</td>
<td>26.6</td>
<td>61,353</td>
<td>12.8%</td>
<td>19.2%</td>
<td>23.3%</td>
<td>30.6%</td>
<td>14.2%</td>
</tr>
</tbody>
</table>

Source: Tabulations of Internal Revenue Service dataset merging a sample of 1040 filings with corresponding information form filings. Tabulations provided by John Sabelhaus and David Weiner.

relatively few large distributions. More specifically, 33 percent of all lump-sum distributions were of less than $1,000; 33 percent were between $1,000 and $5,000; 20 percent were between $5,000 and $20,000; 12 percent were between $20,000 and $100,000; and 3 percent were for more than $100,000 (table 1). Both the average and median distribution amounts increase steadily with the tax filers’ age through the “working years,” and then drop off in the “retirement years.” Among individuals in their early 30s, the median lump-sum amount was $1,753 in 1995, compared with $7,123 for those in their early 60s. The median distribution amount was $4,470 for those in their late 60s, and $3,190 for those age 70 and older. Median and average distribution amounts also increase steadily with tax filers’ reported adjusted gross income (AGI). The median distribution amount among recipients with an AGI of less than $10,000 was $612, compared with $16,836 for those with AGI of $100,000 or more (table 6).

Among tax filers of “working age” in 1995, there were 4.4 million lump-sum distributions reported totaling $52.7 billion (calculated from table 7). These distributions can be thought of as lump-sum distributions made to individual workers upon job change/termination. The average distribution size was $12,018 and the median distribution was $2,106. Thirty-four percent of distributions made to tax filers of working age were for less than $1,000; 34 percent were between $1,000 and $5,000; 19 percent were between $5,000 and $20,000; 10 percent were between $20,000 and $100,000; and 2 percent were for more than $100,000 (table 7).

If the definition of distributions is expanded to include partial distributions made to tax filers of “working age,” then the total number of distributions increases to 6.9 million in 1995 and the amount distributed increases to $76.6 billion. The average distribution amount in this case is $11,138 and the median distribution is $2,046.

Among tax filers of “retirement age,” there were a total of 1.0 million lump-sum distributions reported totaling $33.2 billion (table 7). These distributions can be thought of as lump-sum distributions of entire account balances made to individuals at retirement or in retirement. The average distribution size was $32,571 and the median distribution was $4,465.
Twenty-five percent of distributions made to tax filers of retirement age were for less than $1,000; 28 percent were between $1,000 and $5,000; 21 percent were between $5,000 and $20,000; 18 percent were between $20,000 and $100,000; and 8 percent were for more than $100,000.

Under the expanded view of distributions (including partial distributions), in 1995 there were 2.8 million distributions reported by tax filers of “retirement age” totaling $52.5 billion. The average distribution amount in this case was $18,430 and the median distribution was $2,656.

Rollover Activity

Among the 5.6 million tax filers reporting that they received a lump-sum distribution in 1995, 1.9 million (34 percent) reported rolling over the money into an IRA (table 8). The IRA rollover rates for recipients younger than age 60 and for those 60 or older were identical, at 34 percent. Seventy-seven percent of all dollars distributed as lump sums from retirement plans were rolled over into an IRA in 1995; for “workers” under age 60 the rate was 75 percent, while for “retirees” ages 60 and older it was 81 percent. The average rollover amount was $35,259 and the median was $7,477.

The likelihood of rollover increased steadily with income levels (table 8). Among all lump-sum recipients, 8.5 percent of those with an AGIs of less than $10,000 reported an IRA rollover. This percentage increased steadily to 90.2 percent for those with a distribution of $100,000 or more. The same pattern emerges when examining the percentage of dollars distributed that are rolled over into an IRA. Among lump-sum recipients with AGIs of less than $10,000, 47.7 percent of the dollars distributed were rolled over, compared with 87.2 percent for those with AGIs of $100,000 or more. The likelihood of rollover also increased steadily with the size of the distribution (table 8). Among all lump-sum recipients, 11.7 percent of those with a distribution of less than $1,000 reported an IRA rollover. This percentage increased steadily to 90.2 percent for those with a distribution of $100,000 or more. The same pattern emerges when examining the percentage of dollars distributed that are rolled over into an IRA. Among lump-sum recipients with a distribution of less than $1,000, 17.0 percent of the dollars distributed were rolled over, compared with 90.7 percent for those with distributions of $100,000 or more.
Conclusion

The sheer magnitude of the lump-sum distribution numbers indicates the importance such distributions have for retirement income security. In 1995, lump-sum distributions totaled $87.2 billion ($131.1 billion if an expanded view of distributions is used). This is one-quarter of all payments from employment-based retirement plans in that year. The data presented here validate the findings of previous research that most dollars remain in the system and are preserved for retirement in a tax-deferred vehicle. But at the same time, many individuals—particularly younger individuals, those with lower incomes, and those with smaller account balances—choose not to roll over their distribution.

In addition, given the magnitude of the dollars distributed and the fact that these funds move to personal balance sheets or IRAs, these dollars do not show up as pension income in any income statistics. Therefore, care must be taken when evaluating the income produced by the employment-based retirement income system, since much of that income is not credited to the system in the data available regarding the levels and source of the income of the elderly.

Endnotes

1 These data are based on tabulations of a dataset created by the Internal Revenue Service (IRS) that merges a sample of Form 1040 filings with the corresponding information form filings. Of particular interest for this Notes article are Form 1099-R and Form 5498. The calculations here are based on John Sabelhaus and David Weiner, “Disposition of Lump-Sum Pension Distributions: Evidence from Tax Returns,” National Tax Journal, Vol. LII, No. 3 (September 1999). We are grateful to the authors for providing supplemental information based on their dataset.

2 The terms “working years,” “working age,” “retirement years,” and “retirement age” are loosely used in this Notes article. Beginning at age 59 1/2, penalty-free withdrawals/distributions may begin from retirement accounts, such as IRAs and 401(k)s. Therefore, individual tax filers younger than age 60 are considered to be of “working age,” while those age 60 and older are considered to be of “retirement age” for purposes of this article.

3 This figure does not include rollovers into vehicles other than an IRA, such as a new employer’s 401(k) plan.

4 This IRA rollover rate for workers matches very well with other data sources. According to EBRI and Hewitt tabulations of 1996 Hewitt data, 33 percent of job changers who received a lump-sum distribution rolled their distribution into an IRA (an additional 7 percent rolled their distribution into their new employer’s plan). However, one-half of retirees receiving a lump-sum distribution in the Hewitt database reported an IRA rollover, compared with the one-third reported here.

5 According to the EBRI/Hewitt tabulations, 69 percent of the dollars distributed to workers was rolled over into an IRA in 1996 (an additional 10 percent was rolled over into another tax-qualified plan) and 86 percent was rolled into IRAs by retirees age 60 and older.
Washington Update
by Bill Pierron, EBRI

Lawmakers hope to wrap up their work by the end of October, so this month will be extremely busy. At this writing (mid-September) it is considered highly unlikely that Congress will be able to pass all of the 13 required spending bills before Fiscal Year 2000 begins on Oct. 1, requiring the passage of a stop-gap spending bill to keep federal agencies operating after that date. The budget process already is extremely contentious, and will crowd out most other legislative initiatives.

Once Congress finally wraps up its work for the year, we'll summarize this year's legislative action and look forward to what's in store for 2000. We will also discuss the views of the presidential candidates on various benefit issues, including health care, retirement savings, Social Security, Medicare reform, etc. The candidates are currently formulating their positions and testing their messages, and many have already made pronouncements about health care, Social Security, and other benefit-related issues.

Cash Balance Debate Heats Up

In a sign of the growing political attention being paid to cash balance plans, the Senate Labor, Education, Labor and Pensions (HELP) Committee held a hearing on the issues surrounding hybrid pension plans on Sept. 21—focusing in particular on IBM’s recent conversion to a cash balance pension plan. Sen. Jim Jeffords (R-VT) chairs the committee, and the first panel at the hearing included Sen. Patrick Leahy (D-VT) and Rep. Bernie Sanders (I-VT). It should be noted that IBM is Vermont’s largest private-sector employer.

J. Thomas Bouchard, IBM’s senior vice president for human resources, explained that changing demographics and a new business climate were the drivers behind establishing the new cash balance plan. He emphasized the fact that IBM’s traditional plan was designed in an era when employees expected to spend their entire careers with a company: Once, 50 percent of employees stayed with IBM for 30 years, he said, but today only 10 percent of new hires will work for IBM that long.

Senators argued that a conversion should offer a choice of plans to all employees, provide side-by-side comparisons of benefits under the original and amended plan, and should not change retiree medical programs. Allegations were also made regarding possible age discrimination in cash balance conversions.

EBRI was asked to submit testimony for the hearing, to provide an unbiased overview and explanation of what cash balance plans are, how they differ from traditional defined benefit pension plans, and key issues involved with the plans (EBRI recently conducted a briefing on these issues.) The testimony is available at EBRI Online at www.ebri.org/testimony/T121.htm

In other cash balance activity:
• On the legislative front, Reps. Chris Shays (R-CT) and Nancy Johnson (R-CT) have both signed on to H.R. 1176, the pension disclosure bill sponsored by Rep. Jerry Weller (R-IL), which is the House companion to S. 659, sponsored by Sen. Daniel Patrick Moynihan (D-NY). Also, Reps. Maurice Hinchey (D-NY) and Bernie Sanders (I-VT) have introduced H.R. 2759, companion legislation to S. 1300, the “anti-wearaway” bill sponsored by Sen. Tom Harkin (D-IA). Harkin has also introduced S. 1600, a version of his earlier bill without tax penalties, which will allow it to be considered by the HELP Committee rather than the Senate Finance Committee. This is expected to expedite its chances of passage.
• One of the three working groups of the Department of Labor’s ERISA Advisory Council held hearings on cash balance conversions during September. At the urging of members of Congress, three federal agencies—the Department of Labor, the Internal Revenue Service, and the Equal Employment Opportunity Commission—are investigating cash balance arrangements, focusing on potential age discrimination.

Outlook: It appears possible, but unlikely, that disclosure, and possibly anti-wearaway provisions, will be passed by Congress this year. If such provisions are not passed in this session, they will be given attention when the second session of the 106th Congress convenes in January 2000.

Tax Bill Dies—And Pension Provisions With It

President Clinton’s veto of the $792
billion, 10-year tax reduction package (H.R. 2488) passed by congressional Republicans has left Congress without a legislative vehicle for pension reform provisions, as well as other employee benefit issues. (For a full listing of the benefits-related provisions in the tax bill, see EBRI Notes/Washington Update, September 1999.) Although some observers and members of Congress had suggested in August that a scaled-back compromise bill might be negotiated, congressional GOP leaders recently have rejected that approach.

Outlook: Pension reform (and other tax changes that affect benefits, such as health insurance tax credits) will not be addressed this year and will have to wait for the second session of the 106th Congress, which begins in January.

Managed Care Debate Stalls
The House of Representatives was expected to take up managed care reform legislation before the end of September, but GOP leaders have delayed floor action; it now appears unlikely that a vote will take place until October. The two measures before the House are H.R. 2723, the bipartisan measure cosponsored by Reps. Charlie Norwood (R-GA) and John Dingell (D-MI); and H.R. 2824, the proposal drafted by Reps. Tom Coburn (R-OK) and John Shadegg (R-AZ). (Key provisions of the Norwood/Dingell bill were discussed in EBRI Notes/Washington Update, September 1999.) House Republican leaders are said to be unhappy with the Coburn/Shadegg bill, which was originally drafted as a less-regulatory alternative to the Norwood/Dingell bill.

The Coburn/Shadegg legislation would expand the remedies for denied benefits available under the Employee Retirement Income Security Act of 1974 (ERISA), but would not open up health plans to state law claims. The proposal also would require all health plans to adopt an external appeals mechanism for denied benefits, and following such recommendations would shield a plan from punitive damages. Benefits not covered or specifically excluded by the plan would not be subject to external review, and plans would be left free to make the determination as to what care is “medically necessary.”

In order to bring suit against a health plan under the Coburn/Shadegg bill, individuals would have to receive certification from an outside review panel that their injuries resulted from the actions of the plan. In addition, the bill would shield employers by stipulating that they may be held responsible for the actions of a health plan only if they take part in the decision-making process regarding the provision of benefits. The bill specifies that the following actions, among others, do not constitute decision making: selecting the group health plan, health insurer, or third party administrator; conducting cost-benefit analysis in connection with the selection of or continued maintenance of the plan; making decisions to increase or decrease coverage or benefits affecting all plan participants or beneficiaries in the initial purchase or renewal of coverage; and making decisions to either authorize coverage or determine whether to intercede on behalf of any specific participant or beneficiary.

The following items are listed to keep you up-to-date on issues that were not specifically addressed in Washington Update.

JEC Report: Pensions and Benefits Not “Subsidies”—The Joint Economic Committee (JEC), the House/Senate panel that studies economic and budget policy, issued a report in August that recommends that tax-qualified employer plans should no longer be carried as “tax expenditures” on the government’s balance sheet. The report makes the point that the pension exclusion is not a “loophole” but is designed to promote tax neutrality between consumption and savings. The JEC report is available online at www.house.gov/jec/fiscal/tax/expend.htm.

Social Security Benefit Statements for Younger Workers—Beginning Oct. 1, the Social Security Administration (SSA) will begin mailing personalized benefit statements to workers ages 25 and over who are not already collecting benefits. This will broaden the base of individuals receiving Personal Earnings and Benefit Estimate Statements (PEBES) to approximately 125 million. SSA has mailed PEBES to workers who had reached age 60 since 1995, and individuals have been able to request the statements since 1988. The statements provide a record of workers’ yearly contributions to Social Security and an estimate of what they will get when they retire. According to SSA, workers will automatically receive their statements about three months before their birth month.
In addition, the bill stipulates that actions by agents of employers, such as third party administrators, are not to be considered “decision making” for the purposes of a legal defense.

Although the bill would allow for the unlimited recovery of economic damages (i.e., lost wages), noneconomic losses (i.e., pain and suffering) would be capped in all cases at the greater of $250,000 or two times economic damages. Punitive damages would not be permitted except when the plan has been found to have acted with a “conscious, flagrant indifference to the rights or safety of others” in not following the external appeals entity. In such cases, punitive damages would also be capped at the greater of $250,000 or two times economic damages.

**Outlook:** Although the House seems poised to pass a bill expanding patients’ rights in managed care plans, it remains unclear how any House-passed legislation could be melded with the more limited Senate-approved bill, S. 1344. The Senate legislation does not include expanded liability or medical necessity provisions, and it is limited in scope to self-insured, ERISA-governed benefit plans. Even assuming that the House is able to pass a bill, this makes final passage unlikely this year. It is significant, though, that H.R. 2824, which was crafted at the request of House Republican leaders, contained much stronger patients’ rights provisions than the leadership wanted.

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**EBRI in Focus**

**EBRI-ERF Fall ’99 Policy Forum**

The next EBRI-ERF policy forum is on Wednesday, Dec. 1, 1999, and is entitled, “The Next 25 Years of ERISA: The Future of Private Retirement Plans.” The policy forum will be held in Washington, DC, and an agenda is available on the EBRI Web site at www.ebri.org/dec99agenda.htm. For more information, contact Pam Ostuw at ostuw@ebri.org or at (202) 775-6315.

**Preliminary HCS Results**

Preliminary findings of the 1999 Health Confidence Survey have begun to be released, leading up to the full release of the complete survey at a briefing on Capitol Hill in late October. This is the second annual HCS, building on last year’s survey.

HCS underwriters were briefed on the survey’s major findings at a special meeting at EBRI in September. Following the underwriters’ meeting, a press release was issued on preliminary results dealing with public attitudes toward health care affordability. The results can be viewed by visiting the HCS page on EBRI’s Web site, at www.ebri.org/hcs/1999. For more information, contact Paul Fronstin at fronstin@ebri.org or (202) 775-6352.

**WRCS Data Being Analyzed**

Data analysis is currently underway on the 1999 Women’s Retirement Confidence Survey, which is scheduled for public release in November. For more information about the survey, contact Pam Ostuw at ostuw@ebri.org or (202) 775-6315.

**CTS: The Savings Game Airs in Washington**

For the second year in a row, the local ABC affiliate in Washington, DC, WJLA-TV, produced and aired a one-hour television special entitled, “The Savings Game,” as part of the Choose to Save™ savings education campaign in the Washington, DC, metropolitan media market sponsored by EBRI and ASEC and underwritten by Fidelity Investments. The program aired on Friday, Sept. 17, and was rebroadcast on cable channel 8 Sept. 22 and 26.

**CHEC Pace Quickens**

The Consumer Health Education Council (CHEC) has announced its upcoming program of work designed to help American consumers better understand, acquire, and utilize health insurance.

CHEC was organized in 1998 with initial funding provided by the American Hospital Association, EBRI, the Health Insurance Association of America, the Association of American Medical Colleges and the Milbank Memorial Fund. It is part of the Employee Benefit Research Institute’s Education and
Research Fund (EBRI-ERF). Additional partners are now being added. CHEC will also provide organizational support to the work of the Health Benefits Education Campaign (HBEC), organized by the U.S. Secretary of Labor in 1998 (Dallas Salisbury joined the Secretary as a speaker at the campaign launch ceremony), and which now comprises nearly 100 partners, including CHEC and EBRI.

Drawing on the expertise of its partners, including the Health Benefit Education Campaign, CHEC has begun to identify and develop educational tools in media and formats most appropriate to increased coverage acquisition and understanding by consumers and employers. A press release on the organization was issued in September and is available at www.ebri.org/prlist.htm.

Underlying the creation of CHEC is the need for understandable and evidence-based information on health insurance, why one should have it, how one can get it, and how one can use it.

Because the number of uninsured has been rising despite a strong economy, CHEC’s initial focus will be on people without health insurance in the United States, in particular those who have access to health insurance but do not choose to purchase it and employers who choose not to provide it.

For more information, contact Ray Werntz, CHEC president, at (202) 775-6302 or werntz@healthCHEC.org. CHEC’s website is www.healthCHEC.org.

New Publications & Internet Sites

[Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications published by GPO, call (202) 512-1808. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809.]

Compensation


Health Care


Social Security


Web Resources

BraveNewWorkWorld & NewWork News
www.newwork.com/

Financial Planning Campus
www.pwcfps.com/fpcamp/

A Flood of Litigation? Predicting the Consequences of Changing Legal Remedies Available to ERISA Beneficiaries
www.rand.org/publications/IP/IP184/

InsureUSA
www.insureusa.org

Plan Sponsor Exchange
www.plansponsorexchange.com/

SmartMoney University
university.smartmoney.com/

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Who we are

The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues. EBRI’s membership includes a cross-section of pension funds; businesses; trade associations; labor unions; health care providers and insurers; government organizations; and service firms.

What we do

EBRI’s work advances knowledge and understanding of employee benefits and their importance to the nation’s security among policymakers, the news media, and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. EBRI’s Education and Research Fund (EBRI-ERF) performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants. The American Savings Education Council (ASEC), part of EBRI-ERF, is a coalition of private- and public-sector institutions with the goal of making saving and retirement planning a vital concern of all Americans.

Our publications

EBRI Issue Briefs are monthly periodicals providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. EBRI Notes is a monthly periodical providing current information on a variety of employee benefit topics. EBRI’s Pension Investment Report provides detailed financial information on the universe of defined benefit, defined contribution, and 401(k) plans. EBRI Fundamentals of Employee Benefit Programs offers a straightforward, basic explanation of employee benefit programs in the private and public sectors. EBRI Databook on Employee Benefits is a statistical reference volume on employee benefit programs and work force related issues.

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